

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of:

Local Exchange Carrier Line  
Information Database

CC Docket No. 92-24

Comments On Direct Cases

Allnet Communication Services, Inc (Allnet), hereby comments on the direct cases filed by the various local exchange carriers (LECs) in the above captioned investigation of Common Channel Signaling (CCS) and LIDB services.<sup>1</sup> If the Commission allows the LECs to charge the excessive prices for these monopoly services, the Commission will be acting in conflict with the price cap principles that Chairman Sikes recently enunciated in his response to the House Judiciary Chairman, Jack Brooks. Chairman Sikes states that price caps will not allow an LEC to cross-subsidize because it will not allow an LEC to have excessive profits to subsidize other services.<sup>2</sup> However, if an LEC is allowed generate excess profits from the introduction of these non-competitive offerings (which are often in excess of the unsubstantiated costs), the LEC will have the ability to use those excess profits to cross-subsidize other services. Thus, it is critical that the cost derivation for these services be carefully scrutinized. This would require that all

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<sup>1</sup>See, Order Designating Issues for Investigation, Re: Local Exchange Carrier Line Information Database, CC Docket No. 92-24, released March 20, 1992.

<sup>2</sup>See, Response of Chairman Sikes, FCC to Congressman Brooks, as reprinted in Washington Telecom Week, Special Report, dated June 5, 1992, response to Question 18.

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computer models relied upon, including the CCSCIS model, be filed for public inspection in this proceeding. The CCSCIS is a "black box" computer model that the majority of the LECs relied upon, but clearly failed to explain or justify its use. Without the filing of the CCSCIS model, this proceeding will be reduced to a sham on the public and other interstate access customers who will have to pay these excessive rates.

**Issue I: Have the LECs adequately described the LIDB query service in the tariffs?**

No. The LECs should be required to describe the minimum performance that is guaranteed. All of the Commission's suggestions for inclusion of information in the tariff are reasonable. They will not be repeated here. The tariff serves as a contract between carriers and their customers. If these services were subject to any competitive market forces, those market forces would require that minimum service guarantees and technical specifications be included in the contract which binds the buyer and the seller. This is standard in the procurement of most technical services. Unfortunately, the reality of the situation is that there are no real alternative to these monopoly services. The LEC's deployment of the LIDB system, including the information contained in the database, is derived solely through the LEC's status as the local exchange monopoly provider. No other party could economically compete in the provision of these services without depending upon the LEC for critical information and facilities. Thus, in effect, the "alternatives" are actually resold derivatives of the basic components of the CCS and LIDB services. Resale of a monopoly service does not make for "competition" that would place downward pressure on the

prices of the monopoly provider.

**Issue II: Should the tariffs contain additional detail regarding the technical parameters for the CCS interconnection link?**

The CCS interconnection “link” is not limited to simply the 56 kbps (or lower) transmission link. It also encompasses the STP switches (including the ports) that provide the logical cross-connection between the transmission links that enter and leave the STP switches. As with the LIDB query service, similar minimum technical parameters, including versions and dates of any applicable technical references, should be set forth in the tariffs. Only by setting forth these matters in the tariffs will customers have an opportunity to comment on the appropriateness of the initially proposed technical descriptions and any revisions to those descriptions in a timely manner -- before they are implemented. Otherwise, the LEC can, on its own volition, change technical specifications without providing customers the opportunity to bring to the Commission’s attention the problems, including incompatibility, of those self-initiated changes.

**Issue III: Are the Rate Levels Established in the Tariffs Excessive?**

None of the LECs has provided a convincing case that their rate levels are not excessive.

**Subissue 1: Any carrier who relied on CCSCIS to develop its rates must explain why use of such a model is appropriate for common channel signaling services.**

Most of the LEC’s depend upon a “black box” analyses employing a

computer program calls CCSCIS.<sup>3</sup> Not one of the LECs that employed the CCSCIS computer model explained in any meaningful detail how the CCSCIS model works, the actual inputs that were provided to model, and how the model was used. They clearly have not carried their burden for showing “why use of such a model is appropriate for common channel signaling services.”

For example, Ameritech simply describes the CCSCIS as the “optimal cost methodology.”<sup>4</sup> It then goes on to explain at very high levels the philosophy of design of the CCSCIS. It states that the computer program uses “engineering rules” in its design, but we are not told what those rules are, nor how they are committed to the cost allocation model. It also explains that the CCS equipment is mapped into one or more “cost categories,” but we are not told what those cost categories are, how the mapping was done, nor why it is correct, particularly in view of possible alternatives.

Pacific Bell explains that there is are many ways of employing the CCSCIS, thus allowing different results or conclusions. For example, the CCSCIS user can vary “the costing methodology used, the study period, the vendor discounts, the cost of money, the date of equipment prices to be used and whether material or EF&I equipment prices should be used.” Many other variables are also outlined which are not spelled out in these filings. The use of the model can also vary to “include calculation of costs of a specific piece of STP/SCP equipment or for all or

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<sup>3</sup>The following LECs used CCSCIS, or like, black box computer models: Ameritech, Bell Atlantic, Pacific Bell and Nevada Bell, Southwestern Bell, and United.

<sup>4</sup>Ameritech Direct Case at 12.

part of a CCS linked network.”<sup>5</sup> There are many output reports, but we don’t see those reports in the filings here.<sup>6</sup> Despite all of this opportunity for variability and user judgment, Pacific Bell argues that the CCSCIS is appropriate simply because, in effect, it computes an output that Pacific Bell has determined is correct.<sup>7</sup>

Furthermore, after all is said and done, NYNEX concedes that its “rates are not cost based.”<sup>8</sup> Bell Atlantic also projects revenue that is far in excess the stated revenue requirement.<sup>9</sup>

Simply stated, the cost development process for CCS signaling is a sham for those LECs who hide behind their black box computer program, CCSCIS.

Any LEC rates that rely upon the CCSCIS computer program for cost development should be rejected as unsupported. Section 220(c) of the Communications Act places the burden of proof on the carrier making, authorizing, or requiring the cost entries that rely upon the CCSCIS computer model. The LECs who have employed the CCSCIS black box computer program have not carried their burden of proof. The Commission should hold these LECs to the “fully explain” standard, and not allow them to hide their details in computer black boxes.

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<sup>5</sup>Pacific Bell Attachment A at 7-8.

<sup>6</sup>Id. at 8.

<sup>7</sup>Pacific Bell at Attachment A, at 10.

<sup>8</sup>NYNEX at note 25.

<sup>9</sup>Bell Atlantic at Workpaper F-17.

**Subissue 2: Those carriers who did not use CCSCIS to allocate investment should fully explain how they identified the plant used to provide LIDB service.**

Although the Commission asked the remaining carriers to “fully explain” their cost allocations, there was, for the most part, little explaining done.

An example of some of the superficial explanations is provided by BellSouth. All BellSouth states is that: “working with BellSouth’s cost analysts, Network subsequently quantified the incremental investment (i.e., the additional investment incurred as a result of offering the service) based on system design, vendor prices, installation labor and supporting equipment associated with the new offering...”<sup>10</sup> This does not “fully explain,” as requested.

US West was a little more enlightening. It states that “long run incremental costs” were employed (as compared to the more ambiguous term “incremental investment”).<sup>11</sup> However, the merits of US West’s classification of costs, and how they were determined, is not up to par. To begin, the classifications that US West has created (“Volume Sensitive Unit Cost,” “Joint Fixed Cost,” and “Average Unit Cost”) appear to be categories created and uniquely defined by US West -- thus deviating from standard cost allocation principles. US West defines “Volume Sensitive Unit Cost” as only that “capacity cost of any hardware investment or software that is exhaustible.”<sup>12</sup> US West goes on to define “investment” here as only that spare capacity that is unavailable for use by customer demand. In other words, volume sensitive unit cost does not

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<sup>10</sup>BellSouth at 4.

<sup>11</sup>US West at 14.

<sup>12</sup>Id. at 15.

include investment that is available for use by customer demand. This makes no sense!

As for "Joint Fixed Costs," this classification is also flawed. According to US West, this includes total cost that is not exhaustible. First, how can a "cost" be exhaustible? Second, if US West meant facilities that are not exhaustible, then the definition make no sense, either. Facilities that are jointly used, but fixed, can be exhausted -- an example would be the building containing the switch. Does US West mean to say, costs that do not vary in the long run with usage? According to US West, spare capacity is not included in Joint Fixed Costs, even though US West concedes that it should be.<sup>13</sup> This exclusion also makes no sense.

As for "Average Unit Cost," US West defines this as "all hardware investment and software costs that are incurred with anticipated demand."<sup>14</sup> Why is "volume sensitive unit cost" not included in the calculation of average unit cost?

US West calculations were done dividing the SS7 component investments by the average long run demand for all services using SS7 component. How did US West develop this demand? What assumptions were made? What is this demand today?

GTE was a little more enlightening. It not only stated that it used "long run incremental costs," it also explained that it used a time horizon of 1992 to 1996.<sup>15</sup>

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<sup>13</sup>US West at 15.

<sup>14</sup>US West at 15.

<sup>15</sup>GTE at 14.

Rather than use mystical cost allocation black boxes, GTE simply used conventional relative use measures for allocating basic network components.<sup>16</sup> It would be helpful, however, if GTE supplied the basis for the relative use percentages and why they think that the ones they used are correct.

**Subissue 3: All filing carriers should provide total investment underlying each of the four rate elements and identify the accounts established by Part 32 of the Commission's Rules in which these investments are recorded.**

Given that the cost development is flawed, the response to this inquiry is moot.

**Subissue 4: All carriers should identify and fully document all factors applied to the investment identified in response to the requests for information above to develop the rates, cross-referencing to Automated Reporting Management Information System (ARMIS) data where possible.**

The factor use and development among the carriers are inconsistent and clearly flawed in many cases. For example, the cost of money used by many carriers exceeds the Commission authorized rate of return.<sup>17</sup> In many cases, it was impossible to follow the cost development and the associated application of factors.<sup>18</sup> Furthermore the cost of money factors, for example, unexplainably varies between account categories -- when it obviously should be the same.<sup>19</sup>

Finally, none of these analyses provides any insights into whether the costs

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<sup>16</sup>GTE at 15.

<sup>17</sup>See, for example, Ameritech at 16 (11.3%), BellSouth at Attachment A, at 2 (13%).

<sup>18</sup>See, for example, NYNEX.

<sup>19</sup>See, for example, Bell Atlantic cost of money factors for various accounts, Bell Atlantic Workpaper F-4. It is also varies across states, compare with Bell Atlantic, F-3.




which were included were properly included. Not enough useful and explained detail is provided.<sup>20</sup>

### **III. Conclusion**

The Commission should disallow all cost components that depend upon the CCSCIS "black box" model, all cost elements which were not sufficiently derived (as explained above), and all cost factors which were not explained and were inconsistently applied.

Respectfully submitted,  
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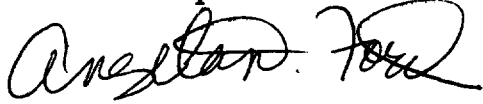
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<sup>20</sup>Furthermore, any inclusion of royalty payments for patent license agreements covering patents that the LEC has reason to believe may not be valid or are not clearly applicable to these applications should be separately itemized and disallowed. See, Letter of Roy L. Morris, Allnet to Cheryl Tritt, Common Carrier Bureau, re: 86-10, filed May 22, 1992. There is no reason for royalty fees of such pre-divestiture patents to be paid for twice -- first when they were developed using interstate ratepayer money, and later through fees paid to AT&T who inherited their ownership, but did not develop them. Furthermore, a premium charge equal to any royalty fees paid to AT&T should be assessed completely on AT&Ts' usage of these services to account for the unequal access in ownership that they have inherited to these pre-divestiture patents.

**Certificate of Service**

**I, Angela Ford, hereby certify that I have caused to be served on this date, June 4, 1992 a true copy of the forgoing Allnet Comments by postage-prepaid first class mail to the parties on the attached service list.**

A handwritten signature in black ink, appearing to read "Angela Ford", written in a cursive style.

**June 4, 1992**

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